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Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

June 21, 2017

John Byars, General Manager
Canyon Fuel Company, LLC
597 South SR 24
Salina, Utah 84654

Subject: Update Ownership and Violation History, Canyon Fuel Company, LLC, Sufco Mine, C/041/0002, Task #5455

Dear Mr. Byars:

The Division has reviewed your application. The Division has identified deficiencies that must be addressed before final approval can be granted. The deficiencies are listed as an attachment to this letter.

The deficiencies authors are identified so that your staff can communicate directly with that individual should questions arise. The plans as submitted are denied. Please resubmit the entire application.

If you have any questions, please call me at (801) 538-5325.

Sincerely,

Daron R. Haddock
Coal Program Manager

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Technical Analysis and Findings

Utah Coal Regulatory Program

PID: C0410002
TaskID: 5455
Mine Name: SUFCO MINE
Title: UPDATE OWNERSHIP AND VIOLATION HISTORY

General Contents

Identification of Interest

Analysis:

The application does not meet the State of Utah R645 requirements for Identification of Interest.

The Permittee provided revisions to the General Chapter 1 for Canyon Fuel Company, LLC. The revisions included an update to the Table of Contents, Chapter 1 text to update information including the change of address for the Resident Agent, Corporation Service Company. Table 1-2, Three Year Violation History of Mining and Reclamation Operations was included and updated. Appendix 1-1 Organizational Officers and Directors included officer updates to the following companies: Bowie Resource Partners, LLC, Bowie Resource Holdings, LLC, Bowie Resources, LLC, Bowie Coal Sales, LLC, Canyon Fuel Company, LLC, Fossil Rock Resources, LLC, Cedar Energy, LLC and Paonia Water Resources, LLC. All of the above-listed companies included in Appendix 1-1 are diagramed in the Figure 1-1 Organizational Chart of Bowie Resource Partners, LLC as of September 1, 2015 located in the MRP, with the exception of Cedar Energy, LLC.

The following deficiencies must be addressed prior to final approval:

R645-301-112.320: The Permittee must provide an updated Figure 1-1 to include Galena US Holdings, Inc. and Cedars Energy, LLC, both of which own a percentage of Bowie Resource Partners, LLC as indicated on the Bowie Resource Partners, LLC Ownership and Control Information as well as identified in the OSM Applicant Violator System. Figure 1-1 should also include Halas Energy, LLC's ownership and control relationship to Cedar Energy, LLC. Include percentage of ownership. Include all person's ownership or control relationship to the applicant, including percentage of ownership and location in the organization structure.

As part of Appendix 1-1: the Permittee must provide Ownership and Control Information for Galena US Holdings, Inc. as an owner of Bowie Resource Partners, LLC.

As part of Appendix 1-1: Halas Energy, LLC is listed as a member of Cedars Energy, LLC. Ownership and Control Information for Halas Energy, LLC must be provided as well as percentage of ownership.

R645-301-112.310: Provide address and employer identification number for companies in the ownership and control organization structure.

Deficiencies Details:

The application does not meet the State of Utah R645 requirements for Identification of Interest.

The following deficiencies must be addressed prior to final approval:

R645-301-112.320: The Permittee must provide an updated Figure 1-1 to include Galena US Holdings, Inc. and Cedars Energy, LLC, both of which own a percentage of Bowie Resource Partners, LLC as indicated on the Bowie Resource Partners, LLC Ownership and Control Information as well as identified in the OSM Applicant Violator System. Figure 1-1 should also include Halas Energy, LLC's ownership and control relationship to Cedar Energy, LLC. Include percentage of ownership. Include all person's ownership or control relationship to the applicant, including percentage of ownership and location in the organization structure.

As part of Appendix 1-1: the Permittee must provide Ownership and Control Information for Galena US Holdings, Inc. as an owner of Bowie Resource Partners, LLC.

As part of Appendix 1-1: Halas Energy, LLC. is listed as a member of Cedars Energy, LLC. Ownership and Control Information for Halas Energy, LLC must be provided as well as percentage of ownership.

R645-301-112.310: Provide address and employer identification number for companies in the ownership and control organization structure.

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Identification of Interest

Analysis:

The amendment does not meet the State of Utah R645 requirements for Identification of Interests.

The amendment does not meet the State of Utah R645 requirements for Identification of Interests.

The Permittee revises the information contained with General Chapter 1 to reflect changes in ownership and control for several entities identified in Figure 1-1, Organizational Chart of Bowie Resource Partners, LLC As of September 1, 2015.

BOWIE RESOURCE PARTNERS, LLC

In Appendix 1-1, the Bowie Resource Partners, LLC Ownership and Control Updates have been revised. The revisions include adding the Chief Executive Officer (CEO) position to Eugene DiClaudio. Mr. DiClaudio was previously identified as the Chief Operating Officer (COO) and remains as the COO in addition to the now executive position of CEO.

John DeRosa has been removed as an identified Director of Bowie Resource Partners, LLC. Mr. DeRosa's position as a Director terminated on September 22nd, 2016.

Paul Warner and Bruce Lindsay were removed as Senior Vice Presidents (SR VP) for the company. Their end dates are identified as 12/31/2016.

The Permittee must clarify revisions provided for Grant Quasha and John Siegel in Appendix 1-1, Bowie Resource Partners, LLC, Bowie Resource Holdings, LLC, Bowie Resource, LLC Ownership and Control Information. Grant Quasha is listed in the "CHANGES" table as having terminated his position as Vice President on 7/11/2014; however, upon review of the approved MRP; Mr. Quasha was not identified as the Vice President of Bowie Resources Partners, LLC. Similarly, the permit revision identifies John Siegel as terminating his position as Executive Chairman on April 10th, 2017. As with Mr. Quasha, Mr. Siegel was not previously identified in the permit as the Executive Chairman. The Permittee must provide

some narrative/text in Appendix 1-1 to address this discrepancy.

The revised changes to the Bowie Resources, LLC information show that Steve Rickmeier served as President of Bowie Resources, LLC from 11/18/10 to 8/16/2013. However; the currently approved MRP does not show that Mr. Rickmeier was an officer of Bowie Resources, LLC. The Permittee must address this discrepancy.

The aforementioned revisions to the "CHANGES" portion of the Bowie Resource Partners, LLC information in Appendix 1-1 relative to Mr. Quasha and Mr. Siegel were not submitted in the required redline strikeout format as required by the Division. The subsequent re-submittal of this amendment must be in redline strike-out.

The information provided in Bowie Resource Partners, Ownership and Control Information in Appendix 1-1 changes the percent of ownership for Galena US Holdings, Inc. and Cedar Energy, LLC. Galena US Holdings, Inc. was previously identified as having a 46% ownership in 'Bowie Resource Partners, LLC. The ownership was revised to 96.535%. Cedar Energy, LLC previously was identified with a 54% ownership in Bowie Resource Partners, LLC. It's ownership is now shown to be 3.465%.

Following the 1st page of the Bowie Resource Partners, LLC information in Appendix 1-1, the Permittee provides a Secretary's Certification for Bowie Resource Partners, LLC. The document is signed by Brian Settles, Senior VP and General Counsel for Bowie Resource Partners, LLC. The third section of the document states, "The Undersigned, Secretary of the Company hereby further certifies that the members of the Company own the equity percentages of the Company set forth below opposite such member's name: Galena US Holdings, Inc. 96.535% and Cedar Energy, LLC 3.465%. Upon review of the amendment, it's not clear who "the members" of Bowie Resource Partners, LLC are.

BOWIE RESOURCE HOLDINGS, LLC

In Appendix 1-1, the Bowie Resource Holdings, LLC Ownership and Control Updates have been revised. The revisions include adding the Chief Executive Officer (CEO) position to Eugene DiClaudio. Mr. DiClaudio was previously identified as the Chief Operating Officer (COO) and remains as the COO in addition to the now executive position of CEO.

Paul Warner and Bruce Lindsay were removed as Senior Vice Presidents (SR VP) for the company. Their end dates are identified as 12/31/2016.

Additionally, the same discrepancy as discussed above (See Bowie Resource Partners, LLC above) appears relative to changes made to the executive positions held by Grant Quasha and John Siegel. Information provided by the Permittee previously had not identified Mr. Quasha and Mr. Siegel as Vice President and Executive Chairman respectively.

BOWIE RESOURCES, LLC

In Appendix 1-1, the Bowie Resource Partners, LLC Ownership and Control Updates have been revised. The revisions include adding the Chief Executive Officer (CEO) position to Eugene DiClaudio. Mr. DiClaudio was previously identified as the Chief Operating Officer (COO) and remains as the COO in addition to the now executive position of CEO.

Paul Warner and Bruce Lindsay were removed as Senior Vice Presidents (SR VP) for the company. Their end dates are identified as 12/31/2016.

Additionally, the same discrepancy as discussed above (See Bowie Resource Partners, LLC above) appears relative to changes made to the executive positions held by Grant Quasha and John Siegel. Information provided by the Permittee previously had not identified Mr. Quasha and Mr. Siegel as Vice President and Executive Chairman respectively. . Additionally, the revised changes to the Bowie Resources, LLC information show that Steve Rickmeier served as President of Bowie Resources, LLC from 11/18/10 to 8/16/2013. However; the currently approved MRP does not show that Mr. Rickmeier was an officer of Bowie Resources, LLC. This discrepancy must be addressed as well.

BOWIE COAL SALES, LLC

In Appendix 1-1, the Bowie Coal Sales, LLC Ownership and Control Updates have been revised. The revisions include adding the Chief Executive Officer (CEO) position to Eugene DiClaudio. Mr. DiClaudio was previously identified as the Chief Operating Officer (COO) and remains as the COO in addition to the now executive position of CEO.

Paul Warner and Bruce Lindsay were removed as Senior Vice Presidents (SR VP) for the company. Their end dates are identified as 12/31/2016.

CANYON FUEL COMPANY, LLC

In Appendix 1-1, the Canyon Fuel Company, LLC Ownership and Control Updates have been revised. The revisions include adding the Chief Executive Officer (CEO) position to Eugene DiClaudio. Mr. DiClaudio was previously identified as the Chief Operating Officer (COO) and remains as the COO in addition to the now executive position of CEO.

Paul Warner and Bruce Lindsay were removed as Senior Vice Presidents (SR VP) for the company. Their end dates are identified as 12/31/2016.

CEDARS ENERGY, LLC

In Appendix 1-1, the Cedars Energy, LLC Ownership and Control information has been revised. C&K Bowie, LLC is identified in the "CHANGES" portion with an identified beginning date of 3/11/2009 and an end date of 8/16/13. Steve Rickmeier is also listed in this section as a former manager of Cedars Energy, LLC with a beginning date of 3/11/09 and an end date of 08/16/13. Upon review of the existing MRP, neither C&K Bowie, LLC nor Steve Rickmeier were identified in the ownership and control information provided. The Permittee must provide clarification as to why C&K Bowie, LLC and Steve Rickmeier were not identified formerly as having an ownership and control position with Cedars Energy, LLC. The information provided with the amendment relative to C&K Bowie, LLC and Steve Rickmeier contradicts previously approved information. Please address this discrepancy.

PAONIA WATER RESOURCES, LLC

In Appendix 1-1, the Paonia Water Resources, LLC Ownership and Control information has been revised. The Permittee has struck the officer information currently found in the MRP. The revision strikes out John Siegel, James Wolff, Eugene DiClaudio, Grant Quasha and Brian Settles from the officer information provided in Appendix 1-1. However; the end dates for these individuals is not provided, nor is the "CHANGES" section of the information revised if in fact these individuals are no longer associated with the company.

The Permittee must provide the ending dates for John Siegel, James Wolff, Eugene DiClaudio, Grant Quasha and Brian Settles relative to their positions in Paonia Water Resources, LLC and revise the "CHANGES" portion of the Appendix 1-1 information for Paonia Water Resources, LLC accordingly. Additionally, provide the officer and director information for Bowie Resources, LLC on the Paonia Water Resources, LLC ownership and control information as it is identified as the 100% owner and manager of Paonia Water Resources, LLC.

The ownership and control information for Cedars Energy, LLC does not identify an owner of the company. The information in Appendix 1-1 identifies Halas Energy, LLC as a "MEMBER". It's unclear as to who owns Cedars Energy, LLC.

R645-301-112: The Permittee must provide the required ownership and control information for Cedars Energy, LLC.

The resident agent information was revised on page 1-3 of General Chapter 1. The address for the Corporation Service Company was changed to 919 North 1000 West, Logan, UT 84321. The previous address was 10 E South Temple Suite 850, Salt Lake City, UT 84133.

Deficiencies Details:

The amendment does not meet the State of Utah R645 requirements for Identification of Interests. The following deficiency must be addressed prior to final approval:

R645-301-112: Identification of Interests The Permittee must clarify revisions provided for Grant Quasha and John Siegel in Appendix 1-1, Bowie Resource Partners, LLC, Bowie Resource Holdings, LLC, Bowie Resource, LLC Ownership and Control Information. Grant Quasha is listed in the "CHANGES" table as having terminated his position as Vice President on 7/11/2014; however, upon review of the approved MRP; Mr. Quasha was not identified as the Vice President of Bowie Resources Partners, LLC. Similarly, the permit revision identifies John Siegel as terminating his position as Executive Chairman on April 10th, 2017. As with Mr. Quasha, Mr. Siegel was not previously identified in the permit as the Executive Chairman. The Permittee must provide some narrative/text in Appendix 1-1 to address this discrepancy.

The revised changes to the Bowie Resources, LLC information show that Steve Rickmeier served as President of Bowie Resources, LLC from 11/18/10 to 8/16/2013. However; the currently approved MRP does not show that Mr. Rickmeier was

an officer of Bowie Resources, LLC. The Permittee must address this discrepancy.

The aforementioned revisions to the "CHANGES" portion of the Bowie Resource Partners, LLC information in Appendix 1-1 relative to Mr. Quasha and Mr. Siegel were not submitted in the required redline strikeout format as required by the Division. The subsequent re-submittal of this amendment must be in redline strike-out.

R645-301-112: The Permittee must provide clarification as to why C&K Bowie, LLC and Steve Rickmeier were not identified formerly as having an ownership and control position with Cedars Energy, LLC. The information provided with the amendment relative to C&K Bowie, LLC and Steve Rickmeier contradicts previously approved information. Please address this discrepancy.

R645-301-112: The Permittee must provide the ending dates for John Siegel, James Wolff, Eugene DiClaudio, Grant Quasha and Brian Settles relative to their positions in Paonia Water Resources, LLC and revise the "CHANGES" portion of the Appendix 1-1 information for Paonia Water Resources, LLC accordingly. Additionally, provide the officer and director information for Bowie Resources, LLC on the Paonia Water Resources, LLC ownership and control information as it is identified as the 100% owner and manager of Paonia Water Resources, LLC.

R645-301-112: The Permittee must provide the required ownership and control information for Cedars Energy, LLC.

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Violation Information

Analysis:

The application does not meet the State of Utah R645 requirements for Violation Information.

R645-301-113.300: The Permittee provided an updated Table 1-2 Three Year Violation History of Mining and Reclamation Operations.

An AVS Permit Evaluation Report was generated for the SUFCO Mine C/041/0002 on June 20, 2017. The report listed 15 Violations. Violations 1 - 12 are linked to John Joseph Siegel Jr and are coded ""conditional"" indicating a settlement, payment plan or pending challenge. Violation 13 is an outstanding violation for AML Fees issued to Canyon Fuel Company, LLC C/007/0005. Violation 14 is an outstanding violation for AML Fees issued to Canyon Fuel Company, LLC C/007/0039. Violation 15 is an outstanding violation for AML Fees issued to Canyon Fuel Company, LLC C/041/0002.

Deficiencies Details:

R645-301-113.300:

An AVS Permit Evaluation Report was generated for the SUFCO Mine C/041/0002 on June 20, 2017. The report listed 15 Violations. Violations 1 - 12 are linked to John Joseph Siegel Jr and are coded ""conditional"" indicating a settlement, payment plan or pending challenge. Violation 13 is an outstanding violation for AML Fees issued to Canyon Fuel Company, LLC C/007/0005. Violation 14 is an outstanding violation for AML Fees issued to Canyon Fuel Company, LLC C/007/0039. Violation 15 is an outstanding violation for AML Fees issued to Canyon Fuel Company, LLC C/041/0002.

The Permittee is required to update the violation information to include the outstanding violations for AML Fees issued to Canyon Fuel Company, LLC.

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